

DOCKET No. 00-0655
ICC STAFF EXHIBIT 3

OFFICIAL FILE

DIRECT TESTIMONY

OF

BRUCE LARSON

ELECTRIC SECTION - ENGINEERING DEPARTMENT

ENERGY DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION

ON ITS OWN MOTION

-VS-

UNION ELECTRIC CO.

CENTRAL ILLINOIS PUBLIC SERVICE CO.

DOCKET No. 00-0655

NOVEMBER 2000

ILL. COM. COM. NO. 00-0655

McCaffrey 3

11-17-00

Case

1 1. **Q. Please state your name and business address.**

2 A. My name is Bruce A. Larson and my business address is 527 East Capitol
3 Avenue, Springfield, Illinois.
4

5 2. **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Illinois Commerce Commission as a Senior Analyst in the
7 Electric Section in the Engineering Department of the Energy Division.
8

9 3. **Q. Please state your educational background.**

10 A. I received a Bachelor of Science Degree in Electrical Engineering from Purdue
11 University in December 1975. I am a Registered Professional Engineer in Illinois.
12 I joined the Staff of the Illinois Commerce Commission ("Staff") most recently in
13 January 1990.
14

15 4. **Q. What is the purpose of this docket?**

16 A. The Illinois Commerce Commission has opened an investigation pursuant to
17 Section 16-111(g) of the Public Utilities Act ("Act") (220 ILCS 5/16-111(g))
18 concerning AmerenUE's petition to transfer assets and customers of its Illinois
19 operations to AmerenCIPS.
20

21 5. **Q. What are your duties and responsibilities associated with this docket?**

22 A. AmerenUE is proposing to transfer assets and customers of its Illinois operations
23 to AmerenCIPS. Section 16-111(g)(4)(vi) of the Act provides the Commission
24 with the authority to prohibit the transaction if the transaction will render
25 AmerenCIPS unable to provide its tariffed service in a safe and reliable manner.
26 It is my responsibility to determine whether the proposed transaction will render

AmerenCIPS unable to provide its tariffed services in a safe and reliable manner.
My testimony is limited to the issue of the supply adequacy of AmerenCIPS.

6. Q. Please summarize the conclusions made in your direct testimony.

A. In my opinion, the transaction will not render AmerenCIPS unable to provide its tariffed service in a safe and reliable manner as it relates to bulk power supply adequacy. This docket is different from all previous 16-111(g) dockets because customers are being switched instead of power plants. The question of reliability is, therefore, related to AmerenCIPS, not AmrenUE.

7. Q. What method are you using to determine whether the proposed transaction will render AmerenCIPS unable to provide its tariffed services in a safe and reliable manner?

A. I am basing my determination on the adequacy of AmerenCIPS bulk power supply. AmerenCIPS' is a full requirement customer of Ameren Energy Marketing Company ("AEMC"). In addition, I will discuss distribution system reliability.

8. Q. How is the AmerenUE load in Illinois served today?

A. The AmerenUE load in both Illinois and Missouri is served by AmerenUE as a traditional vertically integrated electric utility. AmerenUE's Missouri operations will not change at this time.

9. Q. Will the addition of the AmerenUE Illinois load substantially change how AmerenCIPS will be able to provide safe and reliable service to AmerenCIPS's customers?

52 A. No. The PSA between AmerenCIPS and AEMC is a full requirements agreement.
53 AEMC is required to serve all of AmerenCIPS' load no matter how large that load
54 becomes. In the larger view, the Ameren companies' total load and total
55 resources remain unchanged by this transaction. AmerenCIPS and AmerenUE
56 jointly dispatch their loads and resources.

57
58 10. Q. Has Ameren provided a load and resource statement showing the AEMC
59 and AmerenUE reserve margins before and after the transfer?
60

61 A. Yes. These are appendix K to the petition. The appendices show that AEMC will
62 have an adequate supply of power and energy to meet all of AmerenCIPS
63 requirements, including the requirements of the transferred load.
64

65 11. Q. Based upon the information that you have reviewed to date, do you believe
66 the transfer of AmerenUE Illinois customers to AmerenCIPS will render
67 AmerenCIPS unable to provide its tariffed service in a safe and reliable
68 manner?

69 A. In my opinion, the transaction will not render AmerenCIPS unable to provide its
70 tariffed service in a safe and reliable manner as it relates to bulk power supply
71 adequacy.
72

73 12. Q. The Commission denied Ameren's request to transfer UE customers to CIPS
74 in the proceeding that approved the merger of CIPS and UE. Has anything
75 changed since that proceeding?

76 A. Yes. The Customer Choice law was passed. This law added Section 16 to the
77 Public Utilities Act, including 16-111(g) which is the section used by Ameren in this
78 docket. In the merger case, the Commission was concerned that the transfer of
79 UE customers to CIPS, which included a purchase power agreement to serve the
80 former UE customers, would effectively give up the Commission's jurisdiction over
81 the cost of supplying power to the former UE customers.

82
83 13. Q. Has the Commission given up jurisdiction over bulk power supply for other
84 utilities?

85 A. Yes. AmerenCIPS, Illinois Power and ComEd have taken advantage of Section
86 16-111(g) and have replaced direct ownership of their power supply with FERC
87 jurisdictional purchase power agreements. Because the Commission has lost
88 jurisdiction over the majority of the power supply in Illinois, the additional loss of
89 jurisdiction over AmerenUE's Illinois load is of little consequence.

90
91 14. Q. Has Staff reviewed distribution system reliability in prior 16-111(g)
92 proceedings?

93 A. No. However, the petition in this docket is the first request to transfer distribution
94 equipment that the Commission has received.

95
96 15. Q. Based upon the information that you have reviewed to date, do you believe
97 the transfer of AmerenUE Illinois customers to AmerenCIPS will render
98 AmerenCIPS unable to provide its tariffed service in a safe and reliable
99 manner as it relates to the distribution system being transferred?

100

101 A. In my opinion, the transaction will not render AmerenCIPS unable to provide its
102 tariffed service in a safe and reliable manner as it relates to bulk power supply
103 adequacy. The same personnel that were performing distribution and customer
104 service related jobs will continue to perform those functions. Finally,
105 AmerenCIPS' distribution reliability indices for 1999 are better than those for
106 AmerenUE's Illinois service area.

107

108 14. Q. Does this complete your direct testimony?

109 A. Yes, it does.